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PLEASE PASS TO D, P, M, AND IO FROM AMB. KHALILZAD

E.O. 12958: DECL: 03/20/2018

TAGS: [KUNR](#) [ACABQ](#) [AMGT](#) [UNGA](#)

SUBJECT: NEED FOR DECISION ON APPROACH TO UN BUDGET

Classified By: Ambassador Zalmay Khalilzad for reasons

1.4 (b) and (d).

11. (C) This is a guidance request - see para 8.

12. (C) Summary: The Secretariat has presented UN Member States with additional budget items ("add-ons") to the 2008-2009 biennium budget adopted in December 2007. A small number of these add-ons are expected to be decided by the membership this month, with decisions on the bulk of the add-ons likely to be deferred to later this year. Most of the add-ons are items we support or desire (including Security Council-mandated Special Political Missions, key reform initiatives, and exchange rate adjustments). The total cost for the add-ons presented thus far is about \$1.1 billion (which would bring the biennium total to about \$5.3 billion -- more than a 25% increase over the last biennium). In addition to carefully scrubbing the budget add-ons, we have essentially three options for dealing with the proposed increases: agree to those programs we support; limit the increase by postponing consideration of programs that are not essential; reject the increase and be prepared to deny funding it. USUN requests urgent response to guidance request at para 8. End Summary.

Background: Dealing With A Potential 25%
Increase in the UN Budget

13. (C) USUN has previously flagged concerns about both the piecemeal approach by the Secretariat to the UN budget and the explosive growth of the 2008-2009 biennium budget. In December USUN raised concerns that the initial budget before the Fifth Committee of approximately \$4.2 billion did not include some \$1.1 billion in additional budgetary add-ons that would be considered at a later stage in 2008-2009 biennium period. Most of the add-ons are programs that the U.S. supports. These include Security Council-mandated Special Political Missions (including Iraq and Afghanistan, SPM,s total nearly 50% of the add-ons, and represent alone a 16% budget increase) and key reform initiatives (the bulk of the remainder). USUN raised concerns that unless member states reviewed the budget in its entirety and prioritized or identified offsets throughout the entire budget, the final UN budget would soar to more than \$5.2 billion -- a 25% increase and the largest in history.

14. (C) Despite U.S. opposition, the initial budget of approximately \$4.2 billion was adopted in December. That budget includes mandates that have been superseded over time and which the membership has been unable to consolidate or eliminate through the Mandate Review process (a process which also could have helped identify possible budgetary offsets to help fund the add-ons). The GA and the Secretariat continue to be incapable of prioritizing mandates in a meaningful way or identifying offsets for new budget initiatives adopted by

the GA. While many member states express surprise and dismay at the cost of the add-ons, they are unlikely to do much to oppose them (other than, perhaps, agreeing to postpone some). Moreover, several of the key major donors have benefited from the drop in the dollar-denominated UN budget and in real terms face at most only negligible increases in their assessed contributions even with the unprecedented rise in the proposed budget.

Options

15. (C) Against this backdrop, the USG needs to decide how to deal with the proposed budget add-ons. Whichever of the options (see below) we ultimately choose, we still will need carefully to scrub the proposed programs to ensure as limited budgetary impact as possible. To do so, USUN requests that the Department deploy a team of qualified staff to reinforce USUN's efforts to review each major program item being proposed in the budget to ensure they meet USG criteria for funding at the lowest reasonable level.

16. (C) In addition to scrutinizing the proposed add-ons to the budget as described above, we see essentially three realistic options -- each with advantages and disadvantages -- that we could pursue:

a) Pay it All: Assuming we are satisfied through the Department's review process that the add-ons are necessary, we could support the proposed budget increases for those programs -- even if they result in the largest budgetary increase in UN history. We could argue that the bulk of the add-ons are for continuing SPM's that the U.S. approved in the Security Council and which deal with essential peace and security efforts around the globe. These include core USG priorities like Iraq and Afghanistan. We could also fund the reform initiatives that are ready for adoption, including Information Technology improvements and possibly DPA expansion.

b) Oppose any Further Increases: In order to defend the principle of budgetary discipline, we could oppose the proposed increase by pointing to the exponential growth of the budget and the flawed UN budgetary process that prevents a comprehensive look at the entire budget in order to identify offsets to help fund the proposed increases. (This approach could also reaffirm our zero-nominal growth policy.) By insisting on fiscal discipline and a more coherent budget process, we would also help focus the membership on the need to tackle organizational inefficiencies, including obsolete or redundant mandates. (This position could also lead to eventual decisions to withhold funds in the event the rest of the membership adopts the budget anyway.) While attractive politically, there is little likelihood the wider membership would support this approach -- particularly at a time where other major donors have seen their own currencies appreciate vis-a-vis the dollar-denominated UN budget and could easily absorb the increases being proposed. Moreover, we would be refusing to fund programs that we need or want, which are the bulk of the add-ons being considered. This posture could also limit leverage we would otherwise have in shaping the content or size of the budget increase that would be adopted by the wider membership, perhaps ending with a 25% increase anyway.

c) Defer the Non-Essential (but desirable): We could fund only essential items (e.g., SPMs, exchange rate losses) and defer consideration of all non-essential items having budgetary impact into the next biennium budget and deal with these as part of a comprehensive budget review. This approach would create the conditions for the wider membership to prioritize during the next budget cycle among the non-essential add-ons while identifying potential offsets from the broader assessed budget where most of the fat exists. Deferring consideration of some add-ons until the next biennium budget discussion in late 2009 would synchronize discussion in the same year on both the next

biennium budget and the renegotiation of the scale of assessments -- an important lever for budgetary discipline among donors whose assessed contribution percentage will increase. The net result of this approach would be a budget increase this year of a minimum of 16% for items that must be funded.

Other Options

17. (C) There are other variants to the options described above that the Department might consider and which may come up in discussions on how to proceed. However, we believe these approaches are either unlikely to garner support or could allow the wider membership to set priorities we would not share by cutting programs we want in order to fund those they prefer. Such options include:

a) Limit budget growth by setting a ceiling for the dollar amount we could accept. This would require opposing or deferring some of the add-ons -- perhaps even programs we deem essential depending on the amount of the ceiling. This approach could also require trade-offs among the add-on items. Since the majority of the costs associated with the \$1.1 billion in add-ons are for programs the USG generally favors or which must be funded -- e.g., SC-mandated SPMs or reform initiatives -- this would require us to choose between a policy of fiscal restraint or action now on many reform items -- and perhaps even critical SPMs.

b) Fund all essential items but identify offsets from the \$4.2 billion budget adopted last December for remaining discretionary programs. While this seems a rational option, it is not likely to succeed since the majority of the GA is not prepared to engage in such political tradeoffs involving the very mandates that the membership has been unwilling to seriously review and which they just approved a few months ago. Like option b above, we would need to be prepared to refuse to fund the budget in the likely event the broader membership rejects this approach.

Guidance Request

18. (C) USUN seeks the dispatch by the Department of a team of experts to help UN scrub the add-on budget proposals being examined in New York. We need to do this before these items are considered so that our own assessment of the proposal can be factored into the negotiations. USUN also seeks Department's guidance on which of the above options, or combination of options we should pursue. Key donors are eager to know how the U.S. intends to proceed on the budget. The PGA has scheduled a meeting in early April to discuss reform efforts, including the budget process. This meeting provides an important opportunity for the USG to identify preferred options, assert leadership on this important issue, and attain support for our preferred approach. Delays in identifying the approach the U.S. will take will contribute to the inertia that typically results in the membership adopting a budget close to the total the Secretariat has identified.

KHALILZAD